

# Financial Statements

Machine Intelligence Research Institute, Inc.  
(a nonprofit organization)  
Years Ended December 31, 2019 and 2018



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Machine Intelligence Research Institute, Inc.  
Berkeley, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Machine Intelligence Research Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Machine Intelligence Research Institute, Inc., as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Machine Intelligence Research Institute, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harris CPAs*

Meridian, Idaho  
November 13, 2020



**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019**  
**With Comparative Totals as of December 31, 2018**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 742,489	\$ 2,372,924
Investments	7,415,861	5,133,549
Contributions receivable	271,530	888,169
Prepaid expenses	<u>12,763</u>	<u>14,902</u>
Total Current Assets	8,442,643	8,409,544
<b>Long-term grants receivable</b>	219,000	219,000
<b>Fixed assets, net</b>	228,029	244,955
<b>Intangible assets – cryptocurrencies</b>	43,466	109,235
<b>Security deposits</b>	<u>133,809</u>	<u>144,086</u>
Total Assets	<u>\$ 9,066,947</u>	<u>\$ 9,126,820</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	<u>\$ 446,129</u>	<u>\$ 220,929</u>
Total Liabilities	446,129	220,929
<b>Net Assets</b>		
Without donor restrictions	8,328,504	8,481,808
With donor restrictions	<u>292,314</u>	<u>424,083</u>
Total Net Assets	<u>8,620,818</u>	<u>8,905,891</u>
Total Liabilities and Net Assets	<u>\$ 9,066,947</u>	<u>\$ 9,126,820</u>

See notes to financial statements.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.****STATEMENTS OF ACTIVITIES**

For the Year Ended December 31, 2019

With Comparative Totals for the Year ended December 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>		
<b>Income and Other Support</b>				
Contributions	\$ 1,234,030	\$ 200,496	\$ 1,434,526	\$ 3,083,466
Grants and contracts	3,113,755		3,113,755	2,435,049
Investment income (loss)	1,261,379		1,261,379	(424,659)
Gain (loss) on intangible assets	(76,932)		(76,932)	(204,811)
Other income	<u>32,266</u>	<u></u>	<u>32,266</u>	<u>30,465</u>
	5,564,498	200,496	5,764,994	4,919,510
Net assets released from restrictions	<u>332,265</u>	<u>(332,265)</u>	<u>0</u>	<u>0</u>
Total Income and Other Support	5,896,763	(131,769)	5,764,994	4,919,510
<b>Expenses</b>				
Program services				
Research	3,921,419		3,921,419	2,676,135
Outreach	<u>106,139</u>	<u></u>	<u>106,139</u>	<u>60,122</u>
Total Program Services	4,027,558	0	4,027,558	2,736,257
Supporting services				
Management and general	1,983,922		1,983,922	900,793
Fundraising	<u>38,587</u>	<u></u>	<u>38,587</u>	<u>23,500</u>
Total Supporting Services	<u>2,022,509</u>	<u>0</u>	<u>2,022,509</u>	<u>924,293</u>
Total Expenses	<u>6,050,067</u>	<u>0</u>	<u>6,050,067</u>	<u>3,660,550</u>
Change in Net Assets	(153,304)	(131,769)	(285,073)	1,258,960
<b>Net Assets</b>				
Beginning of Year	<u>8,481,808</u>	<u>424,083</u>	<u>8,905,891</u>	<u>7,646,931</u>
End of Year	<u>\$ 8,328,504</u>	<u>\$ 292,314</u>	<u>\$ 8,620,818</u>	<u>\$ 8,905,891</u>

See notes to financial statements.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2019**

**With Comparative Totals for the Year Ended December 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2019 Total</u>	<u>2018 Total</u>
	<u>Research</u>	<u>Outreach</u>	<u>Management &amp; General</u>	<u>Fundraising</u>		
Employee salaries	\$ 2,471,944	\$ 63,383	\$ 602,140	\$ 31,692	\$ 3,169,159	\$ 1,909,231
Contract services	422,736	2,588	207,636		632,960	482,867
Conferences	510,025	9,501	22,873		542,399	273,568
Rent and occupancy costs	5,398		469,729	282	475,409	212,519
Office expense	5,292	1,688	369,370	417	376,767	177,419
Employee benefits	254,487	6,525	61,990	3,263	326,265	199,594
Payroll taxes	180,987	4,641	44,087	2,320	232,035	147,477
Depreciation	24,037		136,208		160,245	82,198
Grants to others	30,000	19,200			49,200	84,900
Insurance			32,180		32,180	23,981
Travel	6,547	2,200	14,999	542	24,288	14,972
Meals and entertainment	3,486	50	5,376		8,912	1,073
Maintenance			2,138		2,138	17,392
Miscellaneous expenses	80	2,763	15,196	71	18,110	33,359
<b>Total Expenses</b>	<b>\$ 3,915,019</b>	<b>\$ 112,539</b>	<b>\$ 1,983,922</b>	<b>\$ 38,587</b>	<b>\$ 6,050,067</b>	<b>\$ 3,660,550</b>

See notes to financial statements.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

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	<u>2019</u>	<u>2018</u>
<b>Cash Flow From Operating Activities</b>		
Change in net assets	\$ (285,073)	\$ 1,258,960
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	160,245	82,198
Unrealized (gain) loss on investments	(1,076,367)	580,599
Realized (gain) loss on investments	(7,173)	(9,888)
Donated intangible assets	(233,448)	(493,164)
Unrealized (gain) loss on intangible assets	68,307	208,290
Realized (gain) loss on intangible assets	7,180	(3,399)
Changes in operating assets and liabilities:		
Contributions receivable	616,639	(681,242)
Prepaid expenses	2,139	(9,767)
Security deposits	10,277	(133,809)
Accounts payable	<u>225,200</u>	<u>179,793</u>
Net Cash Provided (Used) by Operating Activities	(512,074)	978,571
<b>Cash Flow From Investing Activities</b>		
Proceeds from sale of investments	0	1,233,396
Proceeds from sale of intangible assets	223,730	494,023
Purchase of investments	(1,198,772)	(3,866,930)
Fixed asset purchases	<u>(143,319)</u>	<u>(219,501)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,118,361)</u>	<u>(2,359,012)</u>
Net Change in Cash and Cash Equivalents	(1,630,435)	(1,380,441)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,372,924</u>	<u>3,753,365</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 742,489</u>	<u>\$ 2,372,924</u>

See notes to financial statements.



# MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Note A – Summary of Significant Accounting Policies

#### *Nature of Organization*

Machine Intelligence Research Institute, Inc., (the Organization) is a nonprofit corporation registered in Georgia, and operating in California. The objective of the Organization, to ensure that the creation of smarter-than-human intelligence has a positive impact on society, is accomplished through continued research and study of the mathematical underpinnings of intelligent behavior, in particular relation to artificial intelligence.

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### *Basis of Presentation*

The Organization reports net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash includes cash on hand as well as checking accounts with financial institutions. The Organization considers all short-term investments purchased with maturity of three months or less to be cash equivalents.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Marketable Securities and Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

##### *Concentration of Credit Risk and Income*

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments and are held at a number of financial institutions. Accounts at certain financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2019 and 2018 the Organization had an uninsured cash balances of \$524,635 and \$2,099,737, respectively. Investment accounts are insured by the Securities Investor Protection Corporation for up to \$500,000. At December 31, 2019 and 2018 the Organization had uninsured investments of \$6,565,273 and \$4,451,212, respectively.

For the years ended December 31, 2019 and 2018, the Organization had 1 donor that comprised 49% and 6 donors that comprised 67% of total income, respectively.

##### *Fair Value*

The Organization uses fair value reporting for financial assets and liabilities. A hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established, prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short term, highly liquid nature.

##### *Fixed Assets*

Equipment and furniture is stated at cost or, if donated, at the estimated fair market value at the date of donation. Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives for amounts over \$500 of the related assets, which range from three to fifteen years. Accumulated depreciation as of December 31, 2019 and 2018 was \$236,702 and \$166,962, respectively.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Intangible Assets*

The Organization holds cryptocurrencies that it regularly receives through donations. These donations are recorded at their fair market value when they are received by the Organization. The value of the cryptocurrencies is subsequently measured and adjusted based on the published translation price for each period reported.

##### *Contributions, Grants, and Donor Imposed Restrictions*

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Unconditional contributions and grants that are due in subsequent years are reflected as long-term. The Organization had one grant receivable considered long term in nature. Any discount on the receivable has been determined insignificant by management and not recorded. The Organization uses the allowance method to determine uncollectible receivables. No allowance has been provided based on Management's analysis of specific receivables and based on prior years' experience.

##### *Advertising*

The Organization expenses advertising as costs are incurred. Advertising expenses totaled \$3,664 and \$19,127 for the years ended December 31, 2019 and 2018, respectively.

##### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are employee salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort; depreciation is allocated based on the associated fixed assets used within each particular program or function. Management has allocated rent and other office costs to only the management and general function as the management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

## **MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note A – Summary of Significant Accounting Policies (Continued)**

##### *Income Taxes*

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

##### *Uncertain Tax Positions*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of that position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2019 or 2018. The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2015.

##### *Presentation of Certain Taxes*

The Organization collects various taxes from customers and remits these amounts to applicable taxing authorities. The Organization's accounting policy is to exclude these taxes from income and program expenses.

##### *Comparative Data*

The amounts shown for the year ended December 31, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note A – Summary of Significant Accounting Policies (Continued)

##### *Subsequent Events*

The Organization has evaluated subsequent events through November 13, 2020, which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operations; however the related financial impact and duration cannot be reasonably estimated at this time.

#### Note B – Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	742,489
Investments		7,415,861
Contributions Receivable		271,530
Cryptocurrencies		<u>43,466</u>
Total financial assets available within one year		8,473,346
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions – AI Impact Program		(226,314)
Restricted by donors with purpose restrictions – AI Safety Retraining Program		<u>(66,000)</u>
Total amounts unavailable for general expenditures within one year		<u>(292,314)</u>
Total financial assets available within one year after restriction	\$	<u>8,181,032</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2019, all net assets with donor restrictions are available for payment of any major expenditures incurred, except for contributions receivable which are available when the receivable is collected which is expected within one year of the statement of financial position date.

## **MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note C – Fair value of Assets and Liabilities**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.  |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value instrument.   |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Equity securities and cryptocurrencies are valued at unadjusted quoted prices and are considered Level 1. The valuation of the investment held in the Silicon Valley Community Foundation (SVCF) is part of a larger investment pool. The investment is shown at net asset value, the Organization's pro rata share of the aggregate fair value of all assets contained in the fund. The fund of funds is considered a Level 3 asset. Additionally, the investment is not part of a long term endowment and can be liquidated at any time by the Organization. As a result, it has been shown as an investment.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note C – Fair value of Assets and Liabilities (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value measured on a recurring basis as of December 31:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2019				
Equity securities	\$ 7,103,090	\$ 7,103,090	\$ 0	\$ 0
Cryptocurrencies	43,466	43,466		
Fund of Funds – SVCF	<u>312,771</u>			<u>312,771</u>
Total	<u>\$ 7,459,327</u>	<u>\$ 7,146,556</u>	<u>\$ 0</u>	<u>\$ 312,771</u>

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2018				
Equity securities	\$ 4,841,977	\$ 4,841,977	\$ 0	\$ 0
Cryptocurrencies	109,235	109,235		
Fund of Funds – SVCF	<u>291,572</u>			<u>291,572</u>
Total	<u>\$ 5,242,784</u>	<u>\$ 4,951,212</u>	<u>\$ 0</u>	<u>\$ 291,572</u>

The table below sets forth a summary of changes in the fair value of the Organization's investments valued at net asset value as of December 31:

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 291,572	\$ 297,990
Interest and dividend income	3,258	3,402
Net realized gain	7,173	10,071
Net unrealized gain (loss)	14,353	(15,697)
Investment management fees	(1,222)	(1,207)
Support fees	<u>(2,363)</u>	<u>(2,987)</u>
Ending Balance	<u>\$ 312,771</u>	<u>\$ 291,572</u>

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note D – Investments**

Investments as of December 31, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Cost	\$ 6,588,271	\$ 5,382,326
Unrealized gain/(loss)	<u>827,590</u>	<u>(248,777)</u>
Total	<u>\$ 7,415,861</u>	<u>\$ 5,133,549</u>

Investment income consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 177,839	\$ 146,052
Realized gain	7,173	9,888
Unrealized gain/(loss)	<u>1,076,367</u>	<u>(580,599)</u>
Total	<u>\$ 1,261,379</u>	<u>\$ (424,659)</u>

**Note E – Fixed Assets**

As of December 31, fixed assets consisted of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 239,156	\$ 256,804
Furniture & fixtures	78,215	68,153
Computer equipment	139,190	78,790
Intangible assets: domains	<u>8,170</u>	<u>8,170</u>
Fixed Assets Total	464,731	411,917
Accumulated depreciation	<u>(236,702)</u>	<u>(166,962)</u>
Total	<u>\$ 228,029</u>	<u>\$ 244,955</u>



**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note F – Intangible Assets – Cryptocurrencies**

The Organization receives donations in the form of cryptocurrencies from a number of donors. The cryptocurrencies and their values held by the Organization at December 31, are listed below:

	<u>2019</u>	<u>2018</u>
Sellar Lumens	\$ 43,353	\$ 109,122
Ripple	<u>113</u>	<u>113</u>
Total	<u>\$ 43,466</u>	<u>\$ 109,235</u>

During the years ended December 31, 2019 and 2018, the Organization received \$2,538 and \$493,163 respectively, in cryptocurrency donations. As shown in the Statement of Cash Flows a significant amount of these cryptocurrencies were sold and converted to cash and investments. The value of these assets fluctuates frequently based on market conditions. No material declines in these asset's values were noted between December 31, 2019, and November 13, 2020 the date of financial statement issuance.

Cryptocurrencies as of December 31, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Cost	\$ 6,677	\$ 4,139
Unrealized gain	<u>36,789</u>	<u>105,096</u>
Total	<u>\$ 43,466</u>	<u>\$ 109,235</u>

Change in fair value of cryptocurrencies consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Unrealized loss	\$ (68,307)	\$ (208,290)
Donations	<u>2,538</u>	<u>2,540</u>
Total	<u>\$ (65,769)</u>	<u>\$ (205,750)</u>

## MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note G – Net Assets

The Organization reports net assets according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. All net assets with donor restrictions are restricted for the purpose of use within the program for which the grants or donations were received.

The detail of the Organization's net asset categories at December 31, is as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Net assets without donor restrictions	\$ 8,328,504	\$ 8,481,808
With donor restrictions:		
AI Impacts	226,314	328,083
AI Safety Retraining	<u>66,000</u>	<u>96,000</u>
Total with donor restrictions	<u>292,314</u>	<u>424,083</u>
Total net assets	<u>\$ 8,620,818</u>	<u>\$ 8,905,891</u>

#### Note H – Operating Lease

The Organization rents a residential apartment in Berkley, California (Haste St. Lease) under and operating lease. Monthly payments on this lease are \$2,395 and the lease expires in May 2020.

The Organization leases office space under an operating lease (Bancroft Lease). Monthly lease payment on the lease are \$44,603 and the lease expires in November of 2020. The Organization has a signed agreement to sublease a portion of this leased office space to another tenant.

The Organization's leased office space under and operating lease (Addison Lease) that originally expired in November 2018 however, the landlord agreed to extend the lease on a month to month basis until tenant improvements on the Organization's new lease were completed on the Bancroft Lease. The Addison Lease agreement was terminated in 2019.

For the year ended December 31, 2019, rental expense under operating leases totaled \$578,894, offset by rental income from the sublease agreement for shared workspace of \$139,175, for a total rental expense from operating leases of \$439,719.

**MACHINE INTELLIGENCE RESEARCH INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note H – Operating Lease (Continued)**

For the year ended December 31, 2018, rental expense under operating leases totaled \$297,814, offset by rental income from the sublease agreement for shared workspace of \$92,158, for a total rental expense from operating leases of \$205,656.

The future minimum lease payment, without sublease adjustments, are as follows:

2020	\$ <u>502,608</u>
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The future minimum income under the sublease agreement are as follows:

2020	\$ <u>136,816</u>
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